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HON. WHITMAN L. HOLT

HEARING DATE: March 1, 2021
HEARING TIME: 10:00 a.m. PST
LOCATION: Telephonic

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Debtors and Debtors in Possession*

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF WASHINGTON

In re

EASTERDAY RANCHES, INC., *et al.*

Debtors.¹

Chapter 11

Lead Case No. 21-00141-WLH11
Jointly Administered

**DEBTORS' FIRST STATUS
CONFERENCE REPORT**

Easterday Ranches, Inc. ("Ranches") and Easterday Farms, a Washington general partnership ("Farms"), debtors and debtors in possession (collectively, the "Debtors") in the above-captioned chapter 11 cases (collectively, the "Chapter 11 Cases"), by and through undersigned counsel, hereby file this status report (the "First Report") discussing key events immediately prior to and since the filing of voluntary

¹ The Debtors along with their case numbers are as follows: Easterday Ranches, Inc. (21-00141) and Easterday Farms, a Washington general partnership (21-00176).

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1 petitions under chapter 11 of Title 11 of the United States Code (the “Bankruptcy
2 Code”) on February 1, 2021 (Ranches) and February 8, 2021 (Farms), respectively.

3 **A. Tyson Fresh Meats and Washington Trust State Court Receiver Actions**

4 On January 25, 2021, Tyson Fresh Meats, Inc. (“Tyson”) filed a complaint
5 against Ranches seeking the appointment of a receiver over Ranches. Following the
6 commencement of Ranches’ chapter 11 case on February 1, 2021 (the “Ranches
7 Petition Date”), at a hearing held on said date, the Franklin County Superior Court
8 (the “State Court”) suspended this action pending the outcome of Ranches’ chapter 11
9 case.

10 On January 29, 2021, Washington Trust Bank (“Washington Trust”) filed a
11 complaint against Ranches and Farms seeking the appointment of a receiver over
12 Ranches and Farms. On February 1, 2021, the State Court suspended the action as to
13 Ranches pending the outcome of Ranches’ chapter 11 case and granted a temporary
14 restraining order against Farms to prevent the transfer of Farms’ assets outside of the
15 ordinary course business. Both the State Court and Washington Trust acknowledged
16 Farms’ ability to continue doing business in the ordinary course. The State Court
17 continued the matter to February 8, 2021. A Commissioner, in lieu of the Presiding
18 Judge who was out with an emergency, further continued the hearing to February 22,
19 2021. No argument was taken nor did the Commissioner ask counsel for input.

20 On February 22, 2021, the State Court struck the hearing on Washington
21 Trust’s motion for a receiver over Farms effectively staying the proceeding.

22 **B. First Day Motions²**

23 The Debtors filed several routine “first day” motions as set forth below.

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25
26 ² Capitalized terms used, but not otherwise defined herein, shall have the meanings
ascribed to them in the respective First Day Motions.

1 At the first day hearing held on February 3, 2021, Ranches obtained certain
2 interim orders described below and a final hearing is scheduled for March 8, 2021 at
3 10:00 a.m. (Pacific Time) with respect to these motions.

4 At the first day hearing held on February 11, 2021, Farms obtained certain
5 interim orders described below and a final hearing is scheduled for March 8, 2021 at
6 10:00 a.m. (Pacific Time) with respect to these motions.

7 The deadline to object to the first day motions granted on an interim basis is
8 March 1, 2021 at 4:00 p.m. (Pacific Time).

9 **1. Cash Collateral**

10 On February 3, 2021, the court entered an interim order [Docket No. 56]
11 authorizing Ranches to use cash collateral in which WA Trust and CHS Capital, LLC
12 may assert an interest, including any funds to be prepaid by Tyson to Ranches.

13 On February 12, 2021, the court entered an interim order [Docket No. 142]
14 authorizing Farms to use cash collateral in which the Cash Collateral Parties may
15 assert an interest, only during the Interim Budget Period in a manner consistent with
16 the Budget.

17 **2. Cash Management**

18 On February 3, 2021, the court entered an interim order [Docket No. 59]
19 authorizing Ranches to use its cash management system in the ordinary course of
20 business.

21 On February 12, 2021 the court entered an interim order [Docket No. 141]
22 authorizing Farms to use its cash management system in the ordinary course of
23 business.

24 **3. Utilities Motion**

25 On February 12, 2021, the court entered an order authorizing the Debtors to
26 provide adequate assurance of payment to the Utility Companies by establishing and

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1 funding a segregated account in the approximate amount of \$67,000, and directing the
2 Utility Companies to comply with the procedures set forth in the motion in the event
3 that such Utility Company believes that its Adequate Assurance Deposit does not
4 provide it with satisfactory adequate assurance.

5 **4. Employee Wage Motion**

6 On February 12, 2021, the court entered an order authorizing the Debtors in
7 their discretion, to honor and pay prepetition-accrued Wages, Withholding
8 Obligations, and Reimbursement Obligations in the ordinary course of business,
9 provided, however, such payments on account of the Debtors' prepetition obligations
10 shall not exceed \$13,650 per Employee. The order further authorized the Debtors, in
11 their discretion, to continue to pay and honor, in the ordinary course of business, all
12 Employee-related expenses and obligations described in the motion and the order that
13 accrue postpetition in the ordinary course of business. The order further authorizes
14 the Debtors, in their discretion, to pay (solely *via* check) the Retained Insiders, subject
15 to the monthly payment limits set forth in the Motion.

16 **C. Bar Date**

17 On February 12, 2021, the court entered an order (i) extending the Debtors'
18 deadlines to file their schedules of assets and liabilities and statements of financial
19 affairs until April 9, 2021 and (ii) establishing May 28, 2021 as the deadline for non-
20 governmental entities to file proofs of claim.

21 On February 16, 2021, the Debtors filed and served the *Notice of Deadlines by*
22 *Which Proofs of Claim Must be Filed* [Docket No. 148].

23 **D. Retention Applications**

24 On February 9, 2021, the Debtors filed applications to employ the following
25 professionals: (i) Bush Kornfeld LLP as co-counsel to the Debtors [Docket No. 103];
26 (ii) Pachulski Stang Ziehl & Jones LLP as lead counsel to the Debtors [Docket No.

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1 105]; and (iii) Davis Wright Tremaine LLP as special counsel to the Debtors [Docket
2 No. 107]. On February 11, 2021, the Debtors filed an application to employ Paladin
3 Management Group, LLC to provide T. Scott Avila and Peter Richter as co-chief
4 restructuring officers of the Debtors and to provide additional personnel to assist Mr.
5 Avila and Mr. Richter with the Debtors' various operational, administrative and
6 financial needs arising in connection with these cases [Docket No. 123].

7 Pursuant to the *Amended Notice of Hearing on the Debtors' Applications to*
8 *Employ Professionals* [Docket No. 208], the deadline to object to these applications
9 has been extended to March 8, 2021. A hearing on the applications will be held on
10 March 15, 2021 at 11:00 a.m. (Pacific Time).

11 **E. Appointment of the Official Committee of Unsecured Creditors**

12 On February 16, 2021, the Office of the United States Trustee (the "UST") filed
13 its notice of appointment of the following creditors to the Ranches Official Committee
14 of Unsecured Creditors, as amended [Docket Nos. 152, 154, and 155] (the "Ranches
15 Committee"): (i) J.R. Simplot; (ii) Alto Nutrients; and (iii) Animal Health
16 International. Upon information and belief, the Ranches Committee has selected
17 Dentons US LLP as its legal counsel, subject to court approval.

18 On February 22, the UST filed its notice of appointment of the following
19 creditors to the Farms Official Committee of Unsecured Creditors, as amended
20 [Docket Nos. 187, and 188] (the "Farms Committee"): (i) Labor Plus Solutions, Inc.;
21 (ii) The McGregor Company; (iii) John Deer Financial; (iv) Dykman Electrical Inc.;
22 (v) Two Rivers Terminal; and (vi) Frank Bushman. Upon information and belief, as
23 of the date hereof, counsel for the Farms Committee has not yet been selected.

24 **F. Tyson Trustee Motion**

25 On February 8, 2021, Tyson filed a motion to appoint a chapter 11 trustee in the
26 Ranches chapter 11 case [Docket No. 79] (the "Tyson Trustee Motion"). Pursuant to

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1 the *Notice of Hearing on Motion for Appointment of Chapter 11 Trustee* [Docket No.
2 197], the hearing on the Tyson Trustee Motion was continued to March 15, 2021 at
3 11:00 a.m. (Pacific Time). The court has scheduled a status conference with respect
4 to the Washington Trust Trustee Motion on March 8, 2021 at 10:00 a.m. (Pacific
5 Time).

6 As discussed below, Ranches and Tyson have resolved their dispute pursuant to
7 the terms of the Tyson Settlement Term Sheet (defined below) and the Tyson Trustee
8 Motion will be withdrawn upon approval by the court.

9 **G. Washington Bank Trustee Motion**

10 On February 19, 2021, Washington Trust filed a separate motion to appoint a
11 chapter 11 trustee in the Farms chapter 11 case [Docket No. 177] (the “Washington
12 Trust Trustee Motion”) and joined in the Tyson Trustee Motion. Pursuant to that
13 *Amended Notice of Hearing on Washington Trust Bank’s Motion to Appoint Ch. 11*
14 *Trustee* [Docket No. 198], the hearing on the Washington Trust Trustee Motion was
15 continued to March 15, 2021 at 11:00 a.m. (Pacific Time). The court has scheduled a
16 status conference with respect to the Washington Trust Trustee Motion on March 8,
17 2021 at 10:00 a.m. (Pacific Time).

18 **H. Tyson Settlements**

19 Ranches and Tyson are parties to that certain *Cattle Feeding Agreement*, dated
20 February 20, 2017 (the “Cattle Feeding Agreement”), whereby Ranches is required to,
21 among other things, purchase and raise cattle on behalf of Tyson.

22 After the Ranches Petition Date, Ranches and Tyson engaged in negotiations
23 concerning Tyson’s ability to move certain cattle from Ranches’ feedlots to third party
24 grow lots in exchange for economic consideration necessary for Ranches to
25 appropriately care for the cattle. These discussions culminated in the execution of that
26 certain *Cattle Move Term Sheet* between the Debtor and Tyson dated February 18,

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2021 (the “Cattle Term Sheet”). On February 14, 2021, the court entered an order approving the Cattle Term Sheet [Docket No. 174].

Since approval of the Cattle Term Sheet, Ranches and Tyson continued their negotiations regarding a broader settlement, which includes withdrawal of the Tyson Trustee Motion, and which culminated in the execution of that certain *Binding Settlement Term Sheet* dated February 24, 2021 (the “Tyson Settlement Term Sheet”).

On February 25, 2021, Ranches filed a motion (the “Tyson Settlement Motion”) for the entry of an order authorizing and approving the Tyson Settlement Term Sheet. The material terms of the settlement are set forth in the Tyson Settlement Motion.

Contemporaneously with the filing of the Tyson Settlement Motion, Ranches filed a motion to shorten time, requesting a hearing on the Tyson Settlement Motion to be held March 3, 2021 at 11:00 a.m. (Pacific Time).

I. Next Steps – Bidding Procedures

The Debtors are in the process of formulating an appropriate sale process with the goal of maximizing the value of the Debtors’ estates for the benefit of their creditors. In particular, the Debtors are actively engaging a real estate broker and, as contemplated by the Tyson Settlement Term Sheet, developing procedures related to a sale of all or substantially all of their real estate assets. The Debtors anticipate filing (a) an application to retain a real estate broker and (b) the Sale Procedure Motion in the coming weeks.

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2
3 DATED February 25, 2021

Respectfully submitted,

BUSH KORNFELD LLP

/s/ Thomas A. Buford, III

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